

**ARIZONA STATE PARKS BOARD
THE LODGE AT TONTO NATURAL BRIDGE STATE PARK
PAYSON, AZ
JULY 16, 2003
MINUTES**

Board Members present:

Suzanne Pfister, Chairman
John Hays
Elizabeth Stewart
William Porter
William Cordasco

Board Members absent:

Gabriel Gonzales-Beechum
Mark Winkleman

Staff present:

Kenneth E. Travous, Executive Director
Jay Ream, Assistant Director, Parks
Mark Siegwarth, Assistant Director, Administrative Services
Jay Ziemann, Assistant Director, Partnerships and External Affairs
James Garrison, State Historic Preservation Officer
Debi Busser, Executive Secretary
Janet Hawks, Chief of Operations
Keith Ayotte, Central Region Manager
Elizabeth Krug, Research and Marketing

Attorney General's Representative:

Joy Hernbrode, Assistant Attorney General

A. CALL TO ORDER - ROLL CALL

Chairman Pfister called the meeting to order at 1:02 p.m. Roll Call of Board Members indicated a quorum was present. She welcomed new Parks Board member, William Cordasco, to the Parks Board and stated that she thought he would enjoy working with both the Board and the staff.

B. INTRODUCTION OF BOARD MEMBERS AND AGENCY STAFF

Chairman Pfister requested Parks Board members and Arizona State Parks (ASP) staff introduce themselves. Mr. Cordasco (new Parks Board member holding one of two Livestock Industry seats on the Board) noted that he works for Babbitt Ranches in Flagstaff, AZ. The ranches have been a part of his family for a very long time. He is married and has two children. He is looking forward to meeting the Board members and staff and visiting the park system over time.

Ms. Margaret Bohannon, a member of the public, introduced herself.

C. BUDGET PRESENTATION

1. Overview

Mr. Siegwarth reported that this presentation would follow the document, "Searching for Hidden Treasure" and the updated version that was distributed to the Parks Board. He explained that the large document, "Searching for Hidden Treasure" was the post Senate

compromise version. A subsequent version was distributed to the Board at the start of this presentation and is the version the Board will consider for passage. He noted there are not many changes. By comparing the two documents one will be able to see how things have changed.

Mr. Siegwarth referred to a slide presentation. He noted that when presenting a budget proposal to the Board he likes to use a theme. Last year's budget theme was "Sailing Uncharted Waters". During the past year the agency endured numerous storms; there were rocky shoals ahead, staff were looking for a port on which to put ashore. It was a bad year. Staff spent 18 months working on nothing but budget changes, accounting structure changes, and preparing responses to the next big crisis. It was a very long year. In retrospect, the agency really was sailing in uncharted waters because there was no map or ability to get where it was trying to go.

Mr. Siegwarth stated that this year's budget theme is "Searching for Hidden Treasure". The Board meets once a year to discuss the previous year and where to go in the current year. He will begin the presentation by discussing the budget (the driving problem over the past two or three years); then move on to Project 11, the Capital Improvement Plan, the Agency Marketing Plan, the Fee Philosophy, the Strategic Plan, and finally the SHPO WorkPlan.

Mr. Siegwarth noted this budget book is the one document the Board members can carry around to answer questions relating to the Capital Budget, funding sources, the Strategic Plan, or visitation. He added that every Park Manager will receive a copy at the Park Managers Meeting next week as well so they are also in the loop and can discuss various things going on in the agency. While staff usually focus on the fact the system has 30 properties, this agency is much broader than that.

Mr. Siegwarth explained that the agency was sailing through uncharted waters and has now put ashore. Referring to the cover of the document he noted that while the landscape may appear to be desolate, the ground is firm. While the trail could be better, there is at least a direction to follow. The mist (the cloudy economic future) is beginning to clear. He believes that by January it will clear and make the path to the top even clearer. Once the agency reaches the top, the view will be wonderful with a great sense of accomplishment for FY04.

Mr. Siegwarth noted that the total budget is \$51 million. While that sounds like a lot of money, it should be remembered that two years ago it was \$62.3 million. While that looks bad, prior to his vacation in June, the total budget was \$44 million. He referred to a chart detailing fund distribution for FY 2004. He noted that the Board has full control of non-appropriated funds and can change that part of the budget whenever it deems necessary. Appropriated funds are under the control of the legislature and only they can change that part of the budget. Additionally, there are federal funds that are used under the guidelines of the Governor.

2. FY 2004 (revised) and FY 2005 (revised) Operating Budgets – see attached pages inadvertently deleted by the printer of "Searching for Hidden Treasure"

Mr. Siegwarth reported that while \$51 million sounds like a lot of money, one must remember \$31 million of that sum is "pass through" (grants) which includes the \$20 million for Growing Smarter. The Operating Budget is about \$16 million; the Capital Budget is about \$4 million. Prior to mid-June, that Capital Budget was approximately \$1.5 million, approximately \$400,000 of which was the lease/purchase payment on the Tonto Natural

Bridge State Park (Tonto). That left approximately \$1.1 million, which included natural areas acquisition. There really wasn't enough money for just keeping things fixed in the system.

Mr. Siegwarth reminded the Board that in FY02 the Capital Budget was \$9.7 million; the pass through was \$34.7 million. Going back to the theme, one can be on a trail and need to start a fire, but has left the matches at home. Sometimes it is best to just look in pockets, find a magnifying glass, and make do with what one has. The agency is in a much better shape than it was. While stocks are beginning to rebound a bit, interest rates won't be returning to the levels of the 1990s.

Mr. Siegwarth noted that prior to mid-June, pass through grants amounted to \$26.5 million. The big difference is that the agency will receive about \$9.3 million in Heritage Funds, which is more than this agency has received in years. Prior to the Governor's veto, staff were looking at canceling grant programs. Thanks to the vetoes it will be a great year for the Heritage Fund grant programs.

Mr. Siegwarth noted that the agency receives \$20 million for Growing Smarter. He estimates there will be approximately \$700,000 in interest from that program. SLIF is \$61,000; OHV is \$0. Except for SLIF and OHV, it should be a good year for grants.

Mr. Siegwarth referred to a chart relating to Capital Development Funds. He noted \$374,000 of that is strictly for the payment on Tonto. There is federal Land and Water Conservation Fund (LWCF) money (\$1.5 million) that is for acquisition and development. This money is really needed. It will be enough to keep things moving and, perhaps, make some progress.

Mr. Siegwarth noted that Capital Development funds are for purchasing new parks or maintenance on existing parks.

Mr. Siegwarth then referred to a chart detailing FY 2004 Operating Funds. He noted that the Enhancement Fund has greatly increased while the General Fund has dramatically decreased. The method for funding this agency has shifted. Staff expect the agency to earn approximately 64% of its operating needs. All of the Enhancement Fund (fees charged to enter the parks) is earned; the Reservation Surcharge money must be earned; the Pubs Fund money must be earned. Everything else tends to be interest or allocated. Whether the legislature recognizes it or not, ASP is truly starting to run like a business. This is a dramatic change from how the agency has been previously funded.

Mr. Siegwarth pointed out that last year the legislature took all of the Board's General Fund money and replaced it with money from Game and Fish. He noted that, as the chart shows, this portion of the budget is very complicated. The Operating budget is \$19.7 million. There are some problems. Traditionally, staff have always tried to have one year's worth of money left. At the end of FY05 there will be enough money to operate FY06 whether or not the agency receives any money. When more money is spent than is received in revenue, the money spent is usually from the previous year.

Mr. Siegwarth discussed several problems the Board will encounter with this budget. Essentially, Heritage Fund Interest in FY04 is the same as FY03 and FY02. There has been no change. The issue is that the agency was making \$1.8 million interest, whereas this year staff expect to make about \$600,000. There is a structural imbalance. This year about \$250,000 was saved. Staff are trying to come up with a plan to save \$400,000 or so this current FY.

Chairman Pfister asked if the agency is getting less interest but on more money.

Mr. Siegwarth responded that it will perhaps be \$650,000. The issue is that some months the interest rate may only be 0.5%. The interest rates are just so low. He would have preferred to deal with this earlier. However, every funding source was under attack during the year. Since it was just resolved within the last two weeks, staff couldn't know what the options were. Because Heritage Fund revenues were not expected to be so high, Heritage Fund EE will be under spent. Heritage Fund Natural Areas O&M will be overspent because money was set aside to spend on natural areas and other issues. There should only be two problems this year: Heritage Fund Interest and State Lake Improvement Fund (SLIF). SLIF will overspend in excess of \$2 million. The money is there. Of that \$2 million, \$700,000 is to replace the loss of the \$700,000 from LWCF. The Governor's veto caused a problem in this area. The Governor said the \$700,000 could not be used for park operations from LWCF interest. It really becomes a \$700,000 cut to the agency, which just happened to be in the Kartchner Caverns State Park (KCSP) special line item. Staff can work with the Governor to see if there are any solutions. However, spending \$2 million this year and \$2 million next year is not a long-term solution. It will be necessary to get the SLIF expenditures down about \$500,000. Those are the two things staff will focus on. Approximately \$300,000 was saved this year. He believes there will be money available for FYs 04, 05, and 06. In FY06 staff will want to have a year-in-advance available.

He noted Yuma Crossing has not been spending a lot of money. They are expected to overspend by \$19,000. The Publications Fund under spent \$400. The Partnerships Fund is spending some carry-forward money.

Ms. Stewart asked if money must be returned to the City of Yuma if it is not all expended at Yuma Crossing State Park (Yuma Crossing).

Mr. Siegwarth responded that the Yuma Crossing statute provides that if ASP does not expend the entire \$150,000 the City of Yuma gives for Yuma Crossing, the remainder must be returned. Everything earned at that park stays there. He noted that last year the Park Rangers got a pay increase. Because of that and other reasons, the cost of operating Yuma Crossing has risen. The \$150,000 from the City of Yuma just doesn't go as far as it once did. It is an inflationary expense.

Mr. Siegwarth summarized that there are two structural imbalances (Heritage Fund Interest and SLIF).

Chairman Pfister noted that it appears that the Governor's Office did not understand the effect one of her vetoes would have on this agency.

Mr. Travous responded that ASP staff do not know if this is the case because the person in the Governor's Office that staff work with has been on vacation. Certainly ASP staff did not know that line was going to be vetoed.

Mr. Siegwarth added that he has been operating under the idea the Governor had the authority to delete the Heritage Fund portion of the budget. He doesn't think the legislature's lawsuit can change that. He does not believe the Governor has the authority to say that the default funding for the Arts Commission shall come from the General Fund. He believes that piece is a bit shaky. It has occurred to him that should the Governor prevail in the Arts Commission funding, then it would also apply to ASP. In talking with staff at JLBC on his way to this meeting, the way the Governor line itemed it is different. Therefore, he believes there really is a hole in the budget.

Mr. Porter asked for clarification on the references to spending in excess of budget by SLIF.

Mr. Siegwarth responded that SLIF is the most complicated. Two years ago the SLIF grant program was suspended. All the SLIF Capital money was moved to Operations. It was sufficient. There currently is approximately two years' worth of SLIF grant money that has been unobligated and has not been touched. With this year's sweep of \$6.8 million, there wasn't enough money. Staff went to AORCC for authority to use that prior year's grant money that has been sitting there. With the \$800,000 plus \$3 million the operations can be funded with \$100,000 in Capital.

Chairman Pfister added that the hope is to generate more than what they swept so that there are additional funds.

Mr. Siegwarth responded that he believes the agency will receive \$800,000 that will make everything work as if nothing has changed. The JLBC is aware that this is not a long-term solution. Something needs to be done. Staff want to solve the problem before the FY05 budget.

Ms. Stewart asked if that is significant because the SLIF money is really about the only money that can be moved around without legislative authority.

Mr. Siegwarth responded that the statute says it is for lake improvement projects, capital, etc., or any other purpose of the Board. Essentially all of the Marketing money is from this fund. There are some legislators who do not like it. Staff were called on the carpet three years ago.

Chairman Pfister added that one untapped resource is boaters communicating to their legislators about preserving this fund. Just as the advocacy was successful on the Heritage Fund, if these boaters were actually informed that this fund is supposed to be available to help the boating community they would be a powerful force that could at least communicate to their legislators that they should not be raiding this fund and withholding the money from the Parks Board. Amazing projects have been done utilizing SLIF grants to help the boating public. This is an untapped resource the Board has not really gone after.

Mr. Siegwarth discussed budget changes for FY04 and FY05. The change for FY05 is very small. Essentially, a big part of the agency's General Fund has been taken as well as approximately half of the Enhancement Fund capital, all OHV (replaced by Game and Fish OHV), and the prior year's unobligated SLIF grant funds to plug a \$700,000 hole.

Mr. Siegwarth noted the Pubs Fund will be a big Project 11 push. Staff expect it to generate more revenue and, therefore, generate more positions. The reason this is so important is that staff do not have the ability to use the Enhancement or General Fund money to hire additional rangers. This is a way to offset that situation.

Mr. Ziemann added that it is apparent to him that in the budget discussions staff have had with JLBC (the legislature's budget office) and OSPB (the Governor's Budget Office), as painful and as ugly as the budget Special Session was last year at this time, and as much as Board and staff were unjustifiably raked over the coals OSPB, the legislature, and JLBC recognize that ASP is at rock bottom with its operating budget. During this budget cycle they have been very good with making sure they have some place to plug the hole that is created every time they sweep something. While staff may not always like where they take money from, they are very cognizant of the operating budget and make sure that they plug holes being created. In fact, the morning after the line item vetoes became public, staff

received a call from JLBC noting that the vetoes will create a \$700,000 hole and asking where staff would come up with \$700,000 to plug it. Perhaps the silver lining around that whole fiasco last year is the fact that they are now very cognizant of ASP's Operating Budget. Prior to that, they just cut and cut and cut. They did not pay attention until the Board and staff shrieked.

Chairman Pfister referred to the OHV funds. She stated her understanding was that the agency got enough somewhere to be able to pay the bills that are owed. This is the area where she felt the Board is vulnerable.

Ms. Stewart asked if there is any indication that the legislature will see the veto as a windfall and feel that they need to then take something away since the Board is getting the Heritage Funds it did not expect to receive.

Mr. Siegwarth responded that if there is a Special Session and DES and AHCCCS come in wanting money, he isn't sure that he wants to be in their game. It really comes down to the \$700,000 SLIF budget. Does the agency want to get in the game and see if the Governor can fix it or just eat it and worry about FY05? He believes that is the discussion the Board and staff haven't really had.

Mr. Ziemann added that in the Special Session a year ago, ASP had no backing whatsoever. He did not believe the Board should even consider getting involved in a Special Session unless Governor Napolitano says she wants to fix this. Regarding the legislature saying ASP is receiving almost \$10 million in Heritage Funds and now they need to cut ASP's budget \$10 million, if they can't cut the Heritage Fund there really isn't \$10 million elsewhere unless they try to take from Growing Smarter. They have already taken SLIF, OHV, and the General Fund is only \$2.5 million. There isn't \$10 million anywhere for them to take.

Chairman Pfister added that her take is that revenues are creeping up enough so there isn't the drama about needing the \$10 million in the same way as was thought.

Mr. Ziemann noted that in 2003 the legislature had to fix the budget six times. They will probably wait until the Legislative Session in January to fix the current year's budget. Hopefully they can do it once by adjustment. They will have to wait that long to see where revenues stand.

Chairman Pfister noted that another thing that was good about this Session is that the Board was able to intervene at JLBC prior to the budget becoming public. She believes the meeting with JLBC staff and ASP staff allowed the agency to make a compelling enough case that it resulted in a budget that was less onerous. The combination of getting the attention and then being able to put a pressure point before it went public in the end made a difference as to what the agency had to live with.

Mr. Ziemann added that staff were able to keep the Governor's ear so that even after the budget was finally passed by the legislature and went to the 9th floor, she still took her veto pen and crossed out the Heritage Fund. This was an effort staff continued throughout the entire legislative session.

Chairman Pfister added that credit is also due to the Heritage Alliance. They kept the pressure on, too.

Mr. Porter stated that he didn't believe the Board's hand was heavily detected. He spoke with two legislators in passing who noted the veto favored ASP but there didn't appear to

be any hostility or anger toward the Board. Their anger is at the Governor. It doesn't even seem to be so much at the issues as the fact that it was done the way it was done. They are politically angry with her and really want to take her into the courts and rub her nose in it if they succeed, which he doubts they will. They may find a couple of things that she may have gone a little far with, but he did not detect any hostility towards the Board. He does not believe there is a need to worry excessively about their going back even in a Special Session and stomping on the Board out of a sense of vengeance. He believes they want to make it clear through the courts just what the Governor can and can't do. He believes their fear is that she is setting a precedence where every year she will hammer them like that.

Mr. Hays asked, regarding the lawsuit just filed, should the legislature prevail will they adjust all the budgets again.

Chairman Pfister responded that is a discussion that needs to take place. She would be very reticent to give grants to money that could be taken away. The Board and staff need to discuss whether or not to go forward.

Mr. Porter stated that the way he read it that that does not appear to be part of the attack. It does not appear that the legislature is going against all of the Governor's vetoes; they are just going against certain of her vetoes, about 1/3 of them. He did not read about an attempt to roll back her veto of the Heritage Fund altogether.

Mr. Siegwarth responded that the Governor has the authority to line out appropriations from the Heritage Fund. That is clear. The big argument is that she lined out the transfer of \$1.8 million from the Heritage Fund and said the General Fund can pick it up. He believes their argument is that the Governor may not change the bottom number. There may be a Special Session to "fix" the Arts Commission.

Ms. Stewart asked if they are saying that the Arts Commission was not a veto but was, instead, an appropriation.

Mr. Ziemann responded that it is actually one step before that. They are arguing that the Governor line itemed out money that they set aside for the Ladwig Settlement. This is a lawsuit that the state has lost. The legislature had reached an agreement for \$75 million to be set aside in this budget for settling the claims in that lawsuit. The Governor line itemed that out and said the General Fund now has \$75 million more than they thought. She line itemed things out for the Arts Commission and used the Ladwig money for the Arts Commission. Now the Arts Commission has a full \$7 million budget. Then the \$1.8 million that was coming from the Heritage Fund was no longer needed, so she line itemed it out. There are a number of other things going on as well. The bottom line of what the legislative leaders are saying is that the Governor does not have the right to line item out \$75 million from the Ladwig Settlement and then appropriate it (move it around) to other places. That is what they are most irritated about. He believes they clearly have an argument. Whether or not it will be sustained remains to be seen.

Chairman Pfister noted that not all of the Heritage Fund is not at risk; however \$1.8 million of the Heritage Fund could be at risk.

Mr. Siegwarth responded that he believed if the Governor calls a Special Session, the legislature will not come to ASP for \$1.8 million. He believes it will come from the General Fund. He believes the agency is in fairly good shape. He does not believe the Governor will go back and undo vetoes.

Chairman Pfister noted that seems to answer the question of whether the Board fights the \$700,000 or manages it. It sounds like the Board is better off just attempting to manage it if possible. The \$700,000 that was taken last year made it impossible to operate the park system. Because this cut is from a different source, the Board has more flexibility to manage it.

Mr. Travous responded that there are a couple of points that it is important for the Board to remember. The reason the agency said it could not operate with the cuts last year and this year it can was that the legislature did things the agency cannot legally do. Capital money was taken and placed in the operating fund. Another thing to remember is that ASP staff have been very conservative in their approach to financial management. It has served the agency well over the past year. In the past there were carry-forwards. An internal policy that has been in place for quite some time was to always have one year's worth of money for the next year in case something happens. Now we are starting to use hunks of those carry-forwards and are losing our cushion. In addition, the legislature has now appropriated all of the Enhancement Fund money (our revenues) into a fund for operating. This agency is now much more at the risk of the market.

Ms. Stewart noted that the funds the agency relies on to run more of the operations (the Enhancement Fund and various grant funds) are uncertain. The Board does not know for certain just how much Heritage Fund will be received each year. That, along with cash flow issues, makes it very tricky if that cushion is not there.

Mr. Travous responded that the agency has lost some foundation. Staff need to always have an eye towards the future and anticipate downturns in markets. The agency is now more business than it is government. The intent was always to go this way, but staff were trying to inch its way along.

Mr. Siegwarth returned to his budget presentation. He stated that he believes the agency can work with this budget for a whole year. It will free up a lot of staff time and will help in planning and reacting to things. Last year every month was unknown. The Operating Budget is really the same as it has been for the past two years. Under Governor Hull, staff were being told to save 10%. People were afraid to spend money or hire people because no one knew what was going on. The agency has its staff and will keep them and will start focusing on its mission. There are problems with the Capital Budget, but we have a base and are still operating.

Mr. Siegwarth noted ASP was supposed to make \$11.3 million in the Enhancement Fund. He felt \$7.5 million was good. He has not discussed the Enhancement Fund very much because he really believes the agency can make \$9.4-9.5 million for this current Fiscal Year. Some of the things Project 11 has accomplished have taken this off his high priority problem list. He believes \$9.6 million is doable.

Chairman Pfister added that, in all the budget drama last year, the Board kept talking about "phantom money". The Board and staff talked about it to everyone who would listen. She believes it finally stuck because it was a shell game but it was such an esoteric point that it never seemed to get through to people. Most legislators believed that they gave ASP more money. As complicated as budgets are, progress was finally made in getting a realistic target that really means something.

Mr. Siegwarth noted he added a Treasure to the original list: Strong support from the Governor's Office. Her staff was very helpful dealing with the OHV issue, the Heritage

Fund, bringing the SLIF sweep down to \$6.8 million, as well as in other areas. He believes she is supportive of the agency's mission and what the Board is trying to do. He believes the Governor is using her office to enable the agency to do its job. Staff can start focusing on the agency's mission. That's the plan for a good 2005. On September 1 staff will submit the 2005 budget which will focus more on not reacting to budget crisis but to actually fulfilling the agency's mission. Staff have spent so much time defending the budget that the mission has been neglected. Staff need to show that this money is being spent and things are being accomplished. Otherwise, the budget will be cut.

Mr. Siegwarth stated he is excited about FY04 and FY05.

Ms. Stewart suggested changing one of the treasures. It appeared that staff were talking about a better understanding of the complexities of the Operating Budget by JLBC and OSPB. She was concerned that it would not be wise to not include the JLBC along with Governor.

Mr. Siegwarth noted that on the revised document it does say, "a strong partnership with the Governor's Office and members of the Legislature should help us surmount these obstacles as they occur".

Mr. Siegwarth discussed the greater budget issues facing the agency in FY05. The agency's employees have repeatedly been told they are 20% under market and that they would be receiving structured pay raises annually to bring them up to market by the end of this year. However, they did not receive the last 3% raise. Instead of a 3% raise, they received a \$1,450 raise. Now, retirement rates are more than doubling and no one is willing to say what the health benefit will be in October, but it can't be good. In reviewing major budget issues, he cannot think of any program that needs more money to make it more important than getting all of the employees a pay raise. Even though the Governor's budget says he cannot ask for any General Fund money he can always write her a letter stating this should be the number one priority. The agency has great people and he would be much happier keeping those he has than having them quit and trying to replace them. He believes this is the agency's number one issue.

Mr. Siegwarth stated that the number two issue is to eliminate or prevent the fund sweeps. In order to correct the imbalance, it is important to get that SLIF money back to where it is supposed to be going.

Mr. Siegwarth stated he would like to get the General Fund back so those funds can be used as they are statutorily supposed to be used.

Mr. Siegwarth stated his final point is something that was requested last year. Supposing the agency were to make \$10 million this year. That would be an extra \$400,000. He would like to come to the Board with a pressing \$100,000 capital project and a pressing need for additional staff at a park costing \$300,000. He believes the Board should make the decisions between capital and operating expenses. The revenues ebb and flow. He needs to be able to come to the Board for approval to move money from one side to the other to handle problems as they arise. Staff need the flexibility to manage. The Board needs to be able to effectively manage the Reservation Surcharge and the Enhancement Fund.

Ms. Stewart asked if it is so important to restore the General Fund so that the capital half of the Enhancement Fund can be spent so that the agency does not become like the National Parks where things continue to be deferred to the point where some of the infrastructure breaks down and the only thing left is to close the park.

Mr. Siegwarth responded that is exactly right. The agency needs capital money. Some work at the parks are planned and one cannot let them deteriorate.

Chairman Pfister noted that some of these types of investment generate additional revenue. From a business plan standpoint, if the agency gets enough to invest in these things down the road, it enhances the visitor's experience because it provides additional amenities as well as bringing in additional income beyond what the costs are.

Mr. Hays noted the last point, to enhance the Board's ability to manage, has been something he believes should apply to all agencies in state government. It's been a problem throughout his experience in the legislature that they don't like to give power to the boards to manage or to any agency to manage its own funds. It may be a power or control mechanism. He wondered whether it would take legislative action to change the statutes. If that's the case, then it would be asking a lot to get that last point, and it's the one that would help the most.

Mr. Siegwarth responded that he spoke with the JLBC last week. Their comment was maybe not this year; but maybe next year. They are aware of this issue because ASP is unlike other agencies. ASP is more like a 9010.

Mr. Hays pointed out that the tendency of the legislature has always been to eliminate 9010s.

Ms. Stewart added that in a lot of years they won't appropriate the full 90%. She noted that she was surprised at editorials in the newspapers and letters from the public criticizing the City of Mesa and the City of Gilbert for giving raises to their employees after cutting various programs. She believes the Board will need to devote some time up front to educate people about what's involved.

Mr. Siegwarth responded that he believed if this is not the number one priority the agency will lose a carload of its employees. It is a good fight; the Board will wear a white hat on this issue.

Mr. Siegwarth noted there are a number of minor budget issues. In this budget things are hidden and he wants to be clear on what the big decisions are. One is that the agency is quite in the hole on land conservation fund interest in SLIF. Staff view this as a short-term issue and will work hard to solve it next year.

Chairman Pfister asked how long it has been since the Board couldn't use that interest.

Mr. Siegwarth responded that it could be used for the program.

Ms. Stewart asked if there are things that could be done in that area that would require more staff.

Mr. Siegwarth responded that the ability is there to hire an additional staff person. There is staff assigned to perform the accounting.

Chairman Pfister asked if there is room to assist the State Land Department in doing a better job on their end.

Mr. Siegwarth responded he felt that is possible. There is a \$50,000 contract for the State Department of Agriculture (Ag) embedded in this budget. Ag now, in fact, receives \$2 million from the Growing Smarter money and gets to keep the interest to run the program.

Ms. Stewart noted there is a lot more staff can do to assist applicants in terms of educating people on other funding available. There are a lot of federal programs that work needs to be done to make them available in Arizona. There are a lot of things that could be done that would be legitimate.

Mr. Siegwarth noted that budget is healthy right now. If more money was needed, he could come back to the Board October or November with a request for authorization from the Board for additional funding. That is the beauty of non-appropriated funds.

Mr. Siegwarth stated another issue is that he thought the OHV reimbursement issue would have been solved. Frankly, it is not. He believes the agency will wind up with \$1.3 million; staff thought it would end up with \$0. He believes there is enough money to pay the \$1,001,000 of the grant reimbursement requests that were received by April 10 prior to the suspension of those projects. He would like to pay them prior to the September Board meeting. He still has about \$300,000 of expenditure authority to clear up the administrative adjustment phase of the budget. He expects to receive about \$200,000 more from the canceled contracts. It could be as high as \$600,000. That raises another problem. If he had only \$1 million, he would advise paying \$1 million and terminating those contracts. He does not see any new money for 18 months. The problem is that staff still need to work on the revenue estimates for FY04. He may only be able to count 10-11 months for the revenue on FY04. He wants to ensure there is enough for the \$2 million fund sweep. There may be \$1.5 million, so he may have \$500,000. Staff would like to come back to the Board in September or October, show the Board the 12 remaining projects, how much money is actually available in the fund, and give the Board some options. One option would be to terminate them; another option would be to fund some and keep the remainder in suspension or terminate the others. Because ASP usually inherits Game and Fish Department's OHV money, there is a possibility of getting ASP's OHV money in FY05 and he would want some carry-forward to operate in July and August. Those are all issues that require more time to figure out. Since there was a formal motion to suspend payments, there will probably be a need for a motion to pay grant reimbursement requests received prior to April 10, 2003 when the budget is approved on Thursday. Staff will come back to the Board in September or October to finalize and clarify exactly what will be done with the remaining 12 outstanding grants.

Chairman Pfister explained that there were grants already out to people when the legislature came in and swept the fund. The Board was left with a problem. The recipients were already expending money thinking they would be reimbursed. The Board is trying to solve the problem of having been forced to leave a lot of organizations in the lurch.

Mr. Siegwarth noted the legislature started out wanting \$4 million. The Governor fought hard to get them down to \$2 million knowing that ASP would probably have \$1 million left over to solve these problems. That was done in a Senate compromise. The Governor and a couple of legislators were involved. It was not easy for the agency to end up with \$1 million to pay these people. It took a lot of staff work. He gave the Governor's staff a lot of credit. It goes to the credibility of the agency to pay those bills.

Mr. Porter requested a listing of what will be paid that the Board thought could not be paid. He would like to have a copy as soon as possible because he is getting a lot of phone calls. A lot of those projects happen to be in his corner of the state.

Mr. Siegwarth responded that staff should have that list available at the Board meeting on Thursday. Of the 16, 12 will be paid in full.

Mr. Siegwarth ended by saying that he would like to cover SLIF and get that problem solved; he is worried about Heritage Fund Interest (a SLIF issue); but insofar as the Enhancement Fund issue is concerned, the Project 11 Team has done a great job. He has total confidence that this is the solution to half of the problems. He believes they can get the \$9.5 million. He also believes the agency is in good shape, and it is because of all the work they have done. He introduced Ms. Janet Hawks to discuss the next presentation.

3. Project 11

Ms. Hawks, Chief of Operations, began her slide presentation to the Board. She reminded the Board that this project began several years when staff realized that General Fund money was decreasing and the agency would need to "earn its keep". The break-even target for FY05 is \$11 million, thus the name. Project 11 is basically a cross-divisional team that began with a meeting of Regional Managers and Park Managers. It was explained to them there was a need for revenue generating ideas. Project 11 was presented to the Board two years ago. Committees comprising Project 11 include: Development for Revenue, Marketing and Media, Reservation System, Sell More Better, Cost Savings, Public and Legislative Support, and Smart Fees. Her presentation is comprised of a short overview of each team.

Development for Revenue

Ms. Hawks reported that accomplishments during the past Fiscal Year included placement of 10 coin-operated telescopes with 10 more coming; cabins and yurts at Lyman Lake being reserved as of Memorial Day weekend, two new restroom/shower buildings at Picacho Peak State Park, ADA-accessible fishing dock and visitor's center at Roper Lake State Park, additional electrical campsite hookups at various parks, and five new shade ramadas.

Ms. Hawks reported that goals for FY04 include: infrastructure at Tonto Natural Bridge State Park with the ultimate goal of opening the Lodge to the public; infrastructure and 76 new campsites at Catalina State Park (Tucson area); total redesign at Buckskin Mountain State Park to begin shortly including new campsites and electrification; infrastructure and modification of 40 campsites at Alamo Lake State Park; opening the Big Room at Kartchner Caverns State Park in November; infrastructure and adding two new lagoons at Dead Horse Ranch State Park.

Marketing and Media

Ms. Hawks reported that accomplishments during the past Fiscal Year included: a program at Sky Harbor Airport that included photos, artifacts, and received great positive feedback from the public; promotions with the Diamondbacks; participation in the Governor's Conference on Tourism; the Arizona Hospitality Research and Resource Center's report *Economic Impact of State Parks in Arizona*.

Chairman Pfister noted that when park closures were imminent it was stated that Tonto is a great example of how opening the Lodge would benefit the Payson tourism and hospitality communities. None of that was in here. There were also discussions about partnerships at Tubac State Historic Park.

Ms. Hawks responded that this report is a discussion of what the teams specifically did. The list is too long to discuss everything that has been done.

Chairman Pfister stated a quick chart by park would be helpful. It would be helpful in dealing with the legislature. The Board stated their commitment to try to ensure discussions took place with all potential partners.

Ms. Hawks reported groups that were partnered with included: agencies, private businesses, resorts, Southern Arizona Attraction Alliance, the Forest Service, and the National Park Service.

Ms. Hawks reported goals for FY04 and 05 include: develop a better marketing campaign for the cabins and yurts, Camp n' Golf promotion at Lyman, print 1 million park brochures, partnering with Arizona Historical Society for their conference next year, and a Fee Philosophy campaign.

Ms. Hawks referred to a slide and stated that the Public Information Officer is working with a number of media sources to get word out about the Big Room opening at KCSP.

Reservation System

Ms. Hawks reported this is an agency-wide computerized reservation system. Currently it is not possible to make reservations at parks other than the cabins and yurts at Lyman. Once in place, visitors will be able to call and reserve a site at any recreational state park where reservations are allowed. Not all sites will be available for reservations. Some people just like to show up without advance planning. The system will work for day use areas, cabins, yurts, and campgrounds. This group is only focusing on a reservation system. There is a lot of infrastructure that needs to occur before it can be in place. There was already a need for high-speed Internet access because of State of Arizona requirements (Human Resources Information System). To date, 9 parks have received access. Credit card terminals are in at 14 parks. The remaining parks will be added onto the Internet access this FY; all gift shops and all parks will accept credit cards. Credit cards will not only be accepted for gift shops, but for park fees as well. A decision needs to be made as to what form the reservation system will take (i.e., Call Center, Internet, taken by Receptionists at Phoenix Office, etc.). A Project Investment Justification form (PIJ) will be completed and submitted to the Government Information Technology Agency (GITA). A final Scope of Work and Issue on the Request for Proposals also needs to be prepared before awarding a contract. The reservation system should be online in FY05. Staff will need training whether it is contracted out or handled in-house.

Sell More Better

Ms. Hawks reported this team is essentially the gift shops. More gift shops are coming online. The gift shop at Roper Lake has become the vision of the standard for gift shops. Gift Shop staffing has been increased. Previously one person was handling a program that brought in \$340,000. The goal is to bring in \$1 million. A draft Business Plan has been developed for the gift shop program. Park-specific items is something that every park with a gift shop said is important. Visitors to the parks do not want an agency T-shirt. If they visit Roper Lake, they want something that says Roper Lake State Park. Having 30 park-specific products was a difficult task for one person to handle. Sales tax is now being added after the sale; previously it was part of the sale. People are used to paying sales taxes. When they look at a price tag they assume sales tax will be added.

Ms. Hawks reported all concession contracts are under review to see if they can be improved.

Ms. Stewart asked if staff were successful. Some were entered into a long time ago and are not favorable to ASP.

Ms. Hawks responded that some concessions were entered into a long time ago. In most cases, at least the relationship has improved.

Ms. Hawks reported that goals for FY04 and 05 include: add more gift shops and raise the standards to that of Roper Lake, develop more park-specific merchandise, and develop online gift shop sales by FY06.

Ms. Stewart asked how much is generated online.

Ms. Hawks responded that it is a small amount.

Ms. Stewart stated that the problem is that most of the merchandise is not online.

Mr. Ziemann responded that the issue with the online gift shop has been the ability to create firewalls and take the credit card information safely and securely over the Internet. It has not been what merchandise is actually placed online. There is no ability to take orders over the Internet at this time. Until the computer problems can be solved (outside of the agency) it makes no sense to have online merchandise.

Ms. Stewart noted that there are plans to take reservations online.

Mr. Ziemann responded that all that is coming. Online gift shops were identified four or more years ago. The initial Web Page had an area reserved for gift shops. Staff had hoped it would be possible to take credit cards over the Web eventually. The State of Arizona has become more and more involved in those security types of issues.

Mr. Porter noted that the Arizona Historical Society has been trying for two years to get their registration process online. They thought it would be a simple thing to do and would significantly increase attendance at their History Convention. They are running into more roadblocks relating to security issues and problem issues. They are having difficulty locating a bank willing to work with them because of the security issues. There is so much fraud and bad things going on with credit cards around the country that they are all getting "gun shy". They hope to be able to get over that hump in time for registration for the next History Convention in Safford.

Mr. Hays stated he could see where reservations could be very important over the Internet. He asked whether people actually shop in gift shops over the Internet.

Ms. Hawks responded staff are conducting a study to ascertain how much might be sold over the Internet.

Ms. Stewart noted that *Arizona Highways* makes a lot of money in gift sales over the Internet.

Mr. Ziemann noted that certain items will sell better over the Internet than others. He wouldn't anticipate a huge rush to purchase a Roper Lake T-shirt. There are some types of shirts for certain parks that might sell.

Chairman Pfister noted that this is an opportunity that does not currently exist.

Ms. Hawks added that there has been a suggestion to initiate a State Parks Ranger brand item. Apparently that type of product has been very popular at other state agencies. Staff are looking into a barbecue sauce.

Ms. Hawks reported the gift shop program is run from the Phoenix Office, but the gift shops are in the parks. Gift Shop staff are out there; essentially they are Park Ranger staff. There is a need for an incentive for them to make the gift shops successful.

Mr. Cordasco noted earlier there was discussion about concessions. He asked if the concession contracts is a little like park staff operating the gift shops.

Ms. Hawks responded that in the past there were no gift shops. The only way to get visitors things they wanted, like ice, was through a concession. Now, if a park has a concession the gift shop does not directly compete with it.

Chairman Pfister noted that not all parks have concessions. The parks that have concessions are those where visitors may want to purchase things such as picnic supplies.

Ms. Hawks added that they sell towropes for water skiers, bait, etc. The gift shops do not sell those types of things.

Mr. Ream added that the problem with concessionaires is that not everyone in the private sector wants to partner with ASP. The RFP and the contract through the State of Arizona are quite large and the liability requirements are getting to be too difficult for a small "mom and pop" company that would normally be the concession to do so. Multiple RFPs have actually been sent out for a concession at Lake Havasu State Park with no interest received. To work for the State Government on a state park has become increasingly costly liability wise. The state protects itself from liability and passes that on to the concessionaire in the form of a contract so thick they don't take the time to read nor do they want to.

Ms. Hawks added that since there has been no interest from the private sector, staff are considering opening the concession at Lake Havasu as a gift shop.

Mr. Porter added that there are no concessions at the historic parks. Staff may want to take a look at what is being done at those parks. He believes opportunities are being missed for fund raising with specialized items. One of the agency's assets are the things it possesses that it could photograph and market. People, fresh from a visit, like postcards, small posters, and similar items. Even if a big concession is not offered, there could certainly be stands with a few of these specialized items. He had suggested printing copies of some of their archived photographs to the Mohave County Historic Society for their museum in Kingman six months ago. They are selling like hotcakes and have made thousands of dollars.

Ms. Stewart noted that that is one of the few things the Publications money can be used for. The revenue that comes into the gift shops can only be spent on staffing and the gift shops.

Mr. Cordasco noted that earlier there was discussion about the Enhancement Fund. He asked if this would be Enhancement or Publications funds.

Mr. Siegwarth responded that the Enhancement Fund is actually the gate fees and concession revenues. Gift shop revenue goes to the Pubs Fund. The Pubs Fund is non-appropriated.

Mr. Cordasco suggested increasing revenue in the gift shops by placing them in a location the visitors would have to walk through.

Mr. Travous stated that getting the water situation solved at the Tonto Lodge will enable opening it to the public. Money received from renting out the rooms would stay at the park.

Chairman Pfister noted the Lodge would not be sold.

Mr. Travous added that there are gift shops at some historic parks that are run by local groups with a long history with the agency.

Mr. Porter noted there already exists in-house the expertise and the extreme experience because it is already being done on a magnificent scale at KCSP. Staff know exactly how to market KCSP magnificently. Back to Mr. Cordasco's suggestion, when people are at KCSP they walk right through the middle of the gift shop to get to their tours and when their tours end they walk right through the middle of the gift shop again. Staff also do a fine job at the Arboretum. The first thing people see there are plants for sale at the entrance before they ever set foot inside. Staff need to look at what is being done there and start doing the same at other state parks.

Ms. Hawks responded that the Park Managers meet next week and Aramark (runs the KCSP gift shop) will bring in their National Merchandise Coordinator to that meeting to train Park Managers on how to run gift shops and sell merchandise.

Cost Savings

Ms. Hawks reported that this team got started late in the process. A Park Ranger from Lake Havasu is working with this team on special assignment. A grant has been awarded to ASP from Arizona Dept. of Environmental Quality (ADEQ) in the amount of \$240,000 for a recycling program at Alamo Lake State Park and will purchase a new garbage truck. It will eliminate the need to run a 90-mile trip two or three times a week to the dump. Six parks have been audited for energy efficiency. ASP is a partner with EPA's Waste Wise Program. An alternative energy capability study has been completed. A "Share the Knowledge Program" has been initiated in the Western Region and will be expanded to the other regions. All parks have Rangers with specific skills; but not all parks have a Ranger with all of those skills. The "Share the Knowledge Program" makes known what skill sets exist throughout the park system and provides for trading people with needed skills for projects. An outgrowth of this program will be a barter system for leftover equipment and supplies. Many parks have a "bone yard". Under the barter system, there is a way to communicate and exchange property rather than purchasing it new.

Mr. Porter suggested that concept could be expanded beyond just ASP as partnerships are begun with other entities. There may be things "sitting around" in other agencies or private entities that they don't use that ASP needs.

Ms. Hawks responded that there may be a procurement issue whereby it could not be done agency-to-agency.

Mr. Porter noted that ASP is beginning to partner with entities that are not necessarily state agencies. There might be some room there for this concept to work.

Ms. Hawks responded that a donation list is maintained. There are people who are interested in donating artifacts, money, etc.

Mr. Porter noted he has never seen that "wish list". He would like to have a copy of the list.

Ms. Hawks reported that energy audits will be conducted at parks over the next couple of Fiscal Years. The Governor's Executive Order deals with reducing utility bills by 30%. The team is also working on an energy efficient material contractors and product guide. Staff are working with ADOA (Arizona Department of Administration) to procure special items such as fragrance-free cleaners.

Public & Legislative Support Team

Ms. Hawks reported this team developed a huge list of things they felt came within their area of jurisdiction. Improving Communications is their priority.

Ms. Hawks reported that this team's accomplishments last year included: legislative tours of The Big Room (KCSP), updated the Heritage Fund brochure, placed an agency calendar on the server, and initiation of the Director's "In the Loop" newsletter.

Ms. Stewart pointed out that the Board members do not receive the newsletter.

Ms. Hawks reported that this team's goals over the next couple of years include: expand the database of agency partners, assist in creating the Friends of ASP organization, and improve internal communications. Improving internal communications has initially been addressed by the "In the Loop" newsletter and regular budget updates.

Smart Fees Team

Ms. Hawks reported this team deals essentially with Enhancement Fund issues – the fees at the gates. A consultant was hired to assist in the development of an agency fee philosophy. Staff knew fees had to be charged and that it was the right thing to do. However, when the question arose as to why things were charged the way they were, there was not a good response. The team looked at how much revenue is earned currently versus the cost to provide the services. The team then looked at how much revenue is needed in order to become self-sustaining. The team then drafted an agency Fee Philosophy.

Ms. Hawks reported this team's goals for the next two Fiscal Years include: obtain Board approval of the Fee Philosophy, obtain Board approval of the FY04 Fee Schedule for all the parks, educate staff about why the fees are structured as they are, publicize the new fee schedules, obtain plenty of public input, implement the fees, and review the fees annually.

Chairman Pfister called for a recess at 2:55 p.m.

The meeting reconvened at 3:05 p.m.

4. Capital Improvement Plan

Mr. Ream reported that the Capital Improvement Plan is presented to the Board annually. This is an aggressive capital development plan totaling \$141 million. It will be updated periodically. A listing of the continuing development projects to December 31, 2004 was contained in the document provided to the Board. He noted that both Fund Source and Completion Dates are included in this report. Completion dates that say "compl" refer to projects that were completed in the last year totaling approximately \$4.1 million.

Mr. Ream referred to the Capital Improvement Plan. It a very flexible plan, and the Board has voted on it in the past. He noted the Capital Improvement Plan Summary includes a lot of SLIF projects. That money does not exist. Staff has to do this Capital Improvement Plan based on all funding the agency would get and then worry about whether or not the funding exists later. Most of these projects will not be built.

Mr. Ream discussed those projects that will be built. He reported that Tubac Presidio State Historic Park will be the number one priority. ASP will be 50 years old in 2007. It would be nice to have its first state park finished by that time even though it may not be a huge priority revenue-wise. It is not an expensive priority – it is only about \$400,000.

Mr. Ream reported Yuma Prison and Yuma Crossing are the next in priority. Yuma Prison and Yuma Crossing have the benefit of 50/50 funding. Staff are trying to make what little money is available double. Yuma Crossing is a National Heritage Site – the only one west of the Mississippi at this time. If ASP brings \$200,000 to the table, the federal government will give \$200,000 for a total of \$400,000 to put in to these two parks. Wherever possible, staff want to put the money where matches are possible. It is a strange way to set priorities. The Governor prefers that wherever possible federal money be sought as well. This is part of her Efficiency Plan.

Mr. Ream reported Slide Rock State Park is the next place for Land and Water Conservation Fund (LWCF) money. Staff expect to receive that money this year and hope to have the designs done when that money comes in so that work on building the infrastructure for flush toilets at the park can begin. Approximately 50,000 visitors come to Slide Rock per month this time of year.

Mr. Ream reported that McFarland State Historic Park is moving south. Half of the building is shifting southward. The McFarland Foundation, the volunteers who run the building, have put \$30,000 into a building conditions assessment (a prioritized document of what to do with that building and when to do it and in what order) for stabilization of the Courthouse. Staff are in the process of conducting that building conditions assessment. Once it is in hand, staff will know what to spend the money on and where it needs to be spent first to keep Governor McFarland's museum from sliding away.

Mr. Ream stated those projects just discussed are the key parts of this plan. The remaining projects are park improvements, materials funds, etc. These are the things that keep parks running. It is a \$100,000 fix-it problem to keep parks running. This money goes into ADA compliance, natural areas land acquisition, etc. ADOA requires that these plans be written as though all funding will be available. The Parks Board is the only approval process. ADOA reviews and the JCCR reviews. They can make recommendations. The Board can build without their permission.

Chairman Pfister asked if the agency can continue to utilize prison labor.

Mr. Ream responded that staff are working with the Department of Corrections (DOC) to award contracts. They are currently paid \$0.50 per hour plus the cost of the guard who comes out with them. However, their expenses are rising and they may charge a little over \$1 per hour. They received deep budget cuts over the past few years, and this is a revenue source for them.

Ms. Stewart asked what exactly will be done. Staff have indicated Tubac, Yuma Prison, Yuma Crossing, Slide Rock, and McFarland and she wondered whether any other projects would be completed.

Mr. Ream responded that in addition to those parks, numbers 8-17 on the document are likely to happen. Money will be placed in those funding areas. The Board will vote on each land acquisition individually as they happen. The \$60,000 for cultural site clearances goes into the State Archaeologist fund for either hiring consultants or, in some cases, building or excavating, hiring people to come out and conduct work, monitor sites, or writing reports in order to proceed with development.

Chairman Pfister asked if staff hope to get through all 17 projects this year.

Mr. Ream responded staff will not get through them this year. They will accrue this year but may not even start until 2006 in some cases.

Ms. Stewart asked if the first five or six will begin earlier.

Mr. Ream responded that he can't say just when Tubac will start because we are in the middle of an ADOT project. When that is completed, the next stage of the project will begin. Staff will complete some work in-house. Things such as exhibits may be outsourced.

Ms. Stewart asked if the money is available for the first six projects.

Mr. Ream responded negatively. Half of the second project is not available because it is SLIF money.

Ms. Stewart asked if, with the exception of the second project, the money is there for the first six projects.

Mr. Ream responded that is correct assuming the Governor's veto is not overturned. Those projects will proceed as time permits, unless staff brings a change of priority to the Board. That is what is flexible about this plan. There is, however, no requirement to go before JCCR again.

Ms. Stewart asked if the money is not available for parts of projects 7-15 because they all include SLIF funding.

Mr. Ream responded that is correct. He added that, for instance, number 9 (ADEQ Compliance) is \$300,000 total. For 2005 it is \$75,000 from Heritage Fund and \$75,000 from SLIF for a total of \$150,000. Only \$75,000 is available. The reason some was placed in SLIF is because ADEQ Compliance is used for boating parks; the other side is for non-boating parks. Staff will make it work by using both funds. In talking about carry-forward money, it won't be spent to \$0. Once they are spent to \$0 staff will bring in the next year's money, and so forth. These are best guesses of what has been spent in the past on these issues. An ADEQ Compliance issue would be a contaminated well.

Ms. Stewart asked if staff are proceeding with cabins at Roper.

Mr. Ream responded that is not in this list. Cabins at Roper are last year's SLIF money. That money is available.

Ms. Stewart noted that she promised the History Convention's Board that the cabins would be in at Roper in time for their convention next year.

Mr. Ream noted that much of what the Board approves here won't get started until next year. Most development projects are a few years out. KCSP will put development about four months behind. Some of these projects are revenue producing and staff want to get them done.

5. Agency Marketing Plan

Ms. Krug distributed some handouts to the Board. She noted that in the revised document there will also be a Public Information Office review along with a research report that will include an analysis of fees and visitation.

Ms. Krug reported that the top sheet of the handout is a sample of an E-mail that was sent utilizing a database that enables staff to get information regarding events out timely and inexpensively. She noted that any Board members who are not receiving these messages

and want to should provide her with their E-mail addresses and they will be added to the list. She noted that spam is an issue and Research and Marketing (RAM) staff will have a "double opt in" which means double opting in for E-mails. It requires people to indicate that they really do want to receive these messages.

Ms. Krug reported that the agency does not utilize paid advertising. Rather, the agency uses partnerships. As time goes on, this is something staff will investigate. Staff have been working on customer relationship management for well over a year. It has worked well and staff receive a lot of responses. It also has eliminated most "bounce backs".

Ms. Krug reported there are a number of entities that the agency partners with, including the Arizona Office of Tourism, Arizona State University, University of Arizona, and Arizona Humanities Council.

Ms. Krug reported that included in the handout is a sheet showing some of the coupons and promotions that the agency is involved with. Partnerships have been initiated with several entities such as KAET and the Arizona Diamondbacks for a couple of years and offer "2 for 1" or money-off coupons certain times throughout the year. A new project this year is the green coupon. It is an incentive for people to complete the Trails 2005 Survey. There is also an Arizona READS coupon for children who complete a summer reading program at rural libraries.

Chairman Pfister noted that either the coupon or complimentary pass could be end-of-year gifts that people could order and "Give the Gift of Arizona". It could be packaged as a Christmas gift or Holiday gift that people could give.

Ms. Krug reported that another promotion offered this year was the Arizona Office of Tourism Vacation Values website. May was Museum Month and that promotion was featured on the Office of Tourism's website. Coupons for all of the state historic parks were offered. This promotion enjoyed a very good response. Yuma Crossing had 1,037 viewings, 638 viewings for Fort Verde, 661 for Jerome, and 966 for Yuma Prison. That was the first time it was used. Staff were very happy with the results. Quite a few of the parks were calling RAM staff to verify procedures for accepting the coupons.

Ms. Stewart asked if there was any information on the demographics of the people using the E-mail and coupons. The primary method of communication for younger people is through the Internet or E-mail. She wondered whether more people were attracted who weren't being reached before.

Ms. Krug responded that demographic concerning age was not available.

Ms. Krug referred to a handout regarding agency advertising. The document serves as a year-in-review. The blue indicates the generic ASP ads while the yellow are park-specific for certain events at those parks. Magazines, newspapers, and radio stations that carry ASP's ads are also listed. The newspapers that carry the ads are all in Arizona. A few of the magazines are nationwide; staff are staying with a local market because funds are limited. Staff relies on the Office of Tourism for nationwide and international marketing efforts. Ads have not been disseminated yet for The Big Room at KCSP.

Ms. Krug discussed an event schedule that is constantly changing and is a year-in-review. Many of the events will repeat this fall, such as the National Public Lands Day in September, Verde River Days, and Outdoor Arizona. Most events occur in the fall and spring. These events are where staff distribute brochures, hold raffles for KCSP tickets, and

invite people to be listed on the database listing. These events are also where staff talk to visitors and find out what they think of the parks.

Ms. Stewart asked if staff thought about having a small ad in some of the newsletters of local conservation and recreation groups such as Audubon chapters, Sierra Club, hiking groups, etc., some of which have very extensive mailing lists.

Ms. Krug responded that that is a very good idea. She could think of a number of organizations that would be ideal candidates.

Ms. Krug noted that the Arizona State Trails Guide is a project begun last year that has been continued. This is a publication that was begun a few years ago and needed to be updated. A company has been updating the information included in this publication on more than 550 trails for more than a year.

Ms. Stewart asked whether ASP will be the only entity selling this publication.

Ms. Krug responded that she did not know. Previous editions were wholesaled in the gift shops. Even as of last year there was a store in Tucson that had an old, dog-eared copy. People have been clamoring for an updated version. The demand is strong.

Ms. Stewart suggested having a coupon to give with the purchase of this book.

Ms. Krug reported that the information has been compiled. Staff are preparing the RFP for the printing and packaging of the book. The printing alone could take several months.

Ms. Stewart asked if ASP owns the copyright.

Ms. Krug responded affirmatively. Funding for printing this book came from the Heritage Fund, the Federal Recreational Trails Program, and from the agency's Publications Fund.

Ms. Stewart stated that would be a good product to advertise on the Website as a gift for the holidays.

Mr. Porter noted that, understanding that this budget book is not just for internal use but may actually find its way into other people's hands, there are some interesting curiosities in the section "Demographics of State Park Visitors". Under the section that pertains to age, the information is broken down rather completely. However, the net effect appears to be that only 1% of park visitors are children. Obviously, that is not true. There is other information in this document that indicates a high percentage of visitors who come to the parks bring children. The way the information is broken down accounts for 99% of all visitors and the categories range from 18 upward. It would suggest that only 1% are children. On the other hand, if 1% are not children there obviously is a 1% gap. He also pointed out that on page D-8, there is a statement that the majority of ASP visitors (50% of the sample) are Arizona residents, of the remainder 44% reside in other states, and 6.1% are international visitors. Apart from the point that those numbers do not add up to 100%, then the statement is made that fewer than half (44%) of all State Park visitors in this survey are non-Arizona residents. He suggested more care be taken in proofing some of this data. It hurts the credibility of the overall demographics report when people see things like that and could cause some to wonder if the report is accurate.

Mr. Porter added that he believes a real look needs to be taken at page D-7, specifically "Ethnicity". That should raise huge red flags. Considering that the current population of Arizona is stated in this report to be 20% Hispanic, the estimation is that by 2020 the Hispanic population will be a majority of the population of this state. Currently only 3% of

park visitation is coming from the Hispanic population. That raises some ugly, serious red flags. While still looking at the future, this is something that needs to be consciously looked at to see what needs to be done to become more attractive to, visited by, and involved with the Hispanic population. Over the coming decades, there will be a higher and higher percentage of very involved and very aware Hispanic leaders, legislators who staff and the Board will have to deal with, and future governors. There is a need to ensure the park system is responsive to their interest. He's not sure that is the case now. He asked if he called KCSP with a group of Spanish speakers wanting to tour the cave would staff be able to provide a Hispanic tour.

Ms. Krug responded that a Hispanic tour could be provided if there is enough lead-time. Those services have been requested in other languages, including German.

Mr. Porter stated that there is, then, ability to accommodate a special request. However, if such a group simply stops in that may not be the case. That may be a reason they are not terribly excited about the park system. This is a major problem that needs to be addressed.

Mr. Travous responded that there are some demographic differences in which ethnic groups use which resources. The Black and Hispanic populations tend to be more urban-driven and would be found in urban parks. Because state parks are not a part of their culture, they do not tend to look at ASP as a career. He will speak with his peers in California, New Mexico, and other southwestern states to see what their demographics are. He added that one of the reasons the Mariachi Festival was held at Patagonia Lake State Park was an attempt to get over this demographic problem.

Mr. Hays noted that there was a tremendous number of the Hispanic population at Patagonia for the festival and a large number of the Hispanic population visited Slide Rock over the July 4 holiday.

Mr. Porter added that another major problem could be that the figures may be terribly skewed. It may well be that the overwhelming majority of the respondents to the survey are simply not the Hispanics who are coming.

Ms. Krug agreed that the research simply may not be out there on Hispanic travel patterns at the present time. Other items that need to be considered are the cultural differences and the language difference.

Chairman Pfister suggested partnering with a Hispanic Chamber of Commerce.

Mr. Porter asked if the surveys on which the demographic numbers based are available in Spanish.

Ms. Krug responded she did was not sure. Some of the surveys are in both English and Spanish.

Ms. Stewart stated she thought the figures are a little low in terms of actuals simply because in Census and other things the Hispanic population have a tendency to not be as forthcoming. She does feel the agency needs to look at things that would attract some of these groups. In the past staff looked at serving people from out-of-state, RV visitors, etc. She feels that staff now need to look at whom the residents of the state are. With 9/11 and some of the other things that are happening there is a group of people out there who haven't been fully tapped. Staffs' efforts at marketing and building facilities should be geared towards what the various constituencies in the state want. Certainly the agency

would want to welcome and encourage people from out-of-state to visit the system. The agency is funded with tax dollars and that needs to be kept in mind.

Mr. Ziemann reminded that Board that they are looking at an Executive Summary of a survey of people who are currently using the parks. A survey will be conducted in a couple of months on the general population in the State of Arizona. A lot of answers to some of these questions will be learned in that survey. He also pointed out that RAM has a very limited budget. While this is a huge untapped resource, the amenities that these people would be interested in seeing need to be at the parks.

Chairman Pfister noted that the Mariachi Festival is a huge success. Staff need to start where they know there is interest and then build on it rather than start from scratch.

Ms. Stewart asked what staff felt was the most significant finding of the visitors survey.

Ms. Krug responded it was the fact that Internet marketing is so much in demand from people wanting to get their information for travel.

Mr. Ziemann noted that the last time this survey was conducted was in 1995-1996. In 1995 it was 3%-4% and now it is 50%-55%.

Ms. Krug added that she believes there is a big opportunity for the historic parks. While visitors said they weren't a primary destination on their trip, they included them.

Ms. Stewart noted that is how she travels. She first decides where she is going. Then she looks through tour books and finds historic parks or museums of interest. They can easily be seen in a couple of hours. It's something to break up the travel day.

Mr. Porter referred to an earlier comment by staff that "only 3% of our visitors are Hispanic". That is a trap we need to be careful not to fall into. The problem is that we don't know that to be true. The survey was only written in English. It may well be that a lot of the people who are coming to the Mariachi Festival or coming to Patagonia are not responding to it if they see it. If the process of another survey is coming up, even with a limited budget he does not believe it would be taxing it too much to do a Hispanic form of the survey and place it on the back of the current form. He suggested doing that in recognition that 20% or more of this state's population is Hispanic and the agency wants to encourage as many of them as possible to respond.

Chairman Pfister suggested adding as an objective for FY 2004 taking a look at what needs to happen to either get more data from the other states or partnering with Hispanic outreach and marketing organizations statewide.

Ms. Stewart added that a focus group might be very helpful in terms of getting an idea on how to get started on something like that rather than just rushing in. As staff stated, this is a totally different culture and different way of reaching people.

Mr. Porter added that the initial steps of a partnering operation have begun with the Arizona Historical Society. Their museum in Tucson, as opposed to the museum in Phoenix, has consciously programmed heavily to tap into the Hispanic population in Tucson and have been very successful. They have many exhibits that are consciously geared to appeal to the Hispanic population. Most of their exhibits are bilingual. Staff could look at what they have done. He also believes we are missing a good bet if we don't put together a compendium of those of our parks that might have some specific appeal (Tubac, Patagonia, and parks in southern Arizona). They would be happy to have a display

from ASP in the entry area of their museum in Tucson touting these parks and their existence. We are missing a good advertising opportunity for tapping into that population.

6. Fee Philosophy and Research

Ms. Hawks reported that there was a question several years ago about fees and why they are done the way they are (i.e., charge \$6 for a carload at Lake Havasu). In the past, fees were changed annually. Last year, however, fees were changed twice. All fees were basically raised by \$1 the second time around. That did result in increased revenue, but it also reduced attendance. Some people pulled up and decided it was just too much and turned around and left. Obviously, the goal is to capture their revenue coming in. When she learned that she and those who work for her are paid from the Enhancement Fund, she became very interested in that fund and the Pubs Fund, which will provide Ranger II positions.

Ms. Hawks noted that the question came up at her first budget Board meeting in Flagstaff as to why fees are charged and why entry to the parks is not free. Visitors to the parks ask the same questions. Obviously, it is now imperative to charge fees because there are rangers at the parks providing services to the public. There are other reasons for fees. Having a fee for something creates value. It was discovered in the interpretive programs that if a program was free the perception was that it must not be very good since there's no charge. When she was Park Manager at Oracle State Park they had great programs. Teachers would tell them it was better than what they did at the Sonoran Desert Museum for a fee of \$75 for a busload of children. Having a fee attached creates value.

Ms. Hawks reported that the Smart Fees Team (Project 11) asked whether the fees are fair, aligned with the agency's mission, whether enough can be charged to support the Rangers in the field, and how to determine what should be free, low cost, at cost, or profit-making. A consultant was hired. In addition to the Project 11 Smart Fee Team, meetings were conducted with field staff (Park Managers and Assistant Managers) and representatives from all programs and services to try to determine what is basic, what should be free, what should be subsidized, what should make money, etc. They looked at what other parks agencies were doing. Whenever fees are discussed, public input is sought. Rather than formal meetings, information was gathered from letters sent to the agency.

Ms. Hawks reported the team wanted a fair, equitable fee structure that makes enough money to keep everyone hired yet does not turn people away at the gate. She reviewed the agency's mission: Managing and conserving Arizona's natural, cultural, and recreational resources for the benefit of the people both in our parks and through our partners. The fee structure has to fit within this mission statement.

Ms. Hawks explained the method the consultant used had staff sort the agency's programs. If something is of community benefit, it is at no cost or very low cost to the visitor (subsidized). It could be as simple as clean restrooms. Sometimes it could mean that the restrooms are locked. The top of the chart is something that is of individual benefit. This would include the Mountain Biking class at Dead Horse Ranch State Park. The first time that class was taught, people who paid the entry fee at the park got the class free. Staff discovered the correct way to do it is to charge for the class and allow free entry into the park. Rather than getting \$5 per car, the agency can get \$25 per person. It also helps regulate the demand for that service. Everything else falls somewhere between community benefit and individual benefit. Because this is staffs' first attempt to categorize things like this, it is fully anticipated that changes will need to be made.

Ms. Hawks noted that there are other things to be considered. If a park has a boat launch and it is the only access to the river then fees for that park should probably be at the high end of the fee scale. If it's not the only access, then it wouldn't be wise to do that. Political realities have to be considered as well. Whether or not to have a Resident Fee that is different from a Non-Resident Fee was discussed. Whether or not to have an "On Season" and "Off Season" was discussed. It was decided to have both. While there will be Resident and Non-Resident fees, it won't be done in such a way that the Park Ranger has to stand at the gate and determine residency on an individual basis. One idea would be to issue daily passes similar to those issued by some theme parks. One pass could be issued to those with a local zip code (cheapest) but not issued during busy season; one could be deluxe pass (anyone could purchase any time of the year and costs twice as much); one could be a premium pass (most expensive). Staff continue to struggle with some of these things. The fees for KCSP have been ironed out and the Board has seen them.

Ms. Hawks added that an easier way to handle the Resident/Non-Resident issue is that residents would be required to prove they have an Arizona zip code to qualify for a special pass that would not be available during the busy season. The "busy season" varies by park. Summer is the busy season at Tonto but the slow season at Picacho Peak State Park.

Ms. Hawks presented the Fee Philosophy that will be presented to the Board at their September Board meeting for adoption: To provide a quality, sustainable State Parks system for this and future generations, Arizona State Parks will collect fair and equitable user fees to augment other revenues. Obviously, the agency does have its Publications Funds (gift shop money), there is a reservation surcharge fee that does pay for some staffing, and Heritage Fund money that pays for staffing as well.

Ms. Hawks referred to a slide showing fees before they were run through the pyramid. A tour at KCSP was free for children under 6, \$4 from ages 6-13, and \$12 for those 14 and older. The entry fee into the park was \$10 (covering 4 people per car) or \$1 if entry was by bicycle or walk-in. Under the new fee schedule, those who have a reservation for a tour no longer pay a park entry fee (1-2 adults). Those not coming in for tours (picnic, tour visitor's center, etc.) will pay a \$5 entry fee for the first 2 adults and then \$2 for each additional adult. KCSP now has "seasons". July and August are considered the slow season. Additionally, "walk-up" reservation fees are more expensive than reservations made by phone. The phone reservation fee was raised from \$2 to \$3.

Ms. Hawks noted that this will be an educational process. These new fees will have to be communicated to the public as well as to staff and volunteers. The staff and volunteers are the ones who have to explain it to the visitors. It can be said that it makes sense to say that those things that are most popular or cost the most have higher fees. The basic services are kept a low-cost as possible or free.

Chairman Pfister noted that staff plan to present the new fees to the Board in September.

Mr. Ream responded that staff are discovering that this process is moving slower than expected. An entire meeting was spent on one park. The system is set up to simply charge each car a fee of \$5 and wave them through quickly. To begin counting heads in each car, if they have a boat determine if it requires a larger parking space, etc., is more difficult.

Chairman Pfister stated her concern that the September Board meetings are usually overwhelming with grant awards. She expects this September meeting to be a very detailed discussion since there is money to award this year.

Mr. Ream responded that staff might not be ready to bring a fee discussion before the Board in September.

Chairman Pfister added that she is hesitant to try to have the Board go through all of the grants and have a lengthy discussion on fees at the same time.

Mr. Porter stated he agrees with the Chairman. There have been items at past Board meetings that really needed discussion and were shortchanged because they came late in a long meeting. He suggested, because the September meeting will be quite long, breaking it up into a two-day meeting if the Fee Team is ready.

Mr. Ream responded that he felt a September presentation is a bit optimistic. There is a Fee Team meeting scheduled in August and they haven't even gotten to the Northern Region yet.

Ms. Hawks added that the team believes it will take three more meetings before they will be ready. In addition to fees, they are working on Special Use Fees, Filming Fees, Annual Passes, etc. It is a complicated process. The first park the team worked on was Lake Havasu. It was good for the team to work on a complicated park first because it got a lot of issues out on the table and made some of the smaller parks easier to work on. However, it did take three hours to do one park.

Chairman Pfister reiterated her belief that this issue will take a lot of the Board's time. From a public accountability standpoint, she wants to ensure that when staff go to the public they can say that the Parks Board had a thorough discussion on this issue. It just may be too much to do at the same meeting the Board is dealing with grant awards. She noted that it appeared that the consultant was very helpful to staff.

Mr. Travous responded that ASP is not the only system in the country going through this. They are all just scrambling right now. The consultant dealt mostly with municipal groups in the past. Other state park systems are calling for a reference on her work.

Mr. Porter added that the agency has to start thinking of itself as marketable operation. It would be nice to get the General Fund back. But he is not counting on it. The agency really does need to be going down this road. He is pleased to see a careful diagnosis being made looking at the asset. It's OK to recognize its value without overcharging and determining who should carry the burden. Those with the big boats who want to use a park's limited access should carry more of the burden.

Ms. Hawks responded that it has been a valuable exercise. At the beginning it was difficult to imagine but now she believes it makes sense.

7. FY 2004, FY 2005, and FY 2006 Strategic Plan

Mr. Siegwarth stated the agency's mission is a great mission. He believes most people in the agency can recite it and believe in it. It has become the guiding force in what this agency does. When going through the Strategic Plan process, the mission, vision, and guiding principles were not tampered with.

Mr. Siegwarth reported that when talking about a Strategic Plan, there are two things that need to be understood. First, it was mandated by the legislature. There is a formatted process that agencies must follow. Every three years all Goals, Objectives, and Performance Measurements must be submitted under the format so they can be fed into a database and

placed into a book. It is a very tight process. To a certain extent staff must satisfy that consumer. Other agencies may use their Strategic Plan differently.

Mr. Siegwarth reported that he did very little editing of the Strategic Plan since the first version the Board received. The revenue projections were updated.

Mr. Siegwarth stated that he believed the most important item in the Strategic Plan is the Strategic Issues. Every department within the agency really looked at what is going on and what they need to worry about in the upcoming three years. The process is that each subprogram must have its own Strategic Plan and Goals and Objectives that must somehow roll up to the format of the agency's Strategic Plan. This is the way the state designed the system. Staff cannot play with it too much.

Mr. Siegwarth then discussed the Strategic Issues.

Increasing Public Awareness of Arizona State Parks and Partnership Programs

Mr. Siegwarth reported this issue has been here for several years. It is still a big strategic issue. If the public are not aware they will not support the agency by contacting their legislators. To make a bad budget year better, partnerships are necessary. It has always been a priority.

Continued Viability of the Enhancement Fund

Mr. Siegwarth reported that while he feels comfortable the revenue targets will be reached, the Capital Funding source has been taken. It was a key part of the business.

Internalization of External Requirements

Mr. Siegwarth reported there are a lot of things going on that must be done whether staff like it or not. The Governor has implemented an Efficiency Review (cost savings). An entire information structure must be put in place. The revenue targets for the Enhancement Fund was an external requirement. The agency must go to a new HRIS system, which essentially means every park is required to have high-speed Internet access in order to complete their timesheets. Staff are trying to take all these external requirements and fit them into the agency's mission. Even though some people wanted the reservation system to move more quickly, staff needed to take the requirements of the HRIS system first and get that infrastructure in place. It is a matter of trying to take all of these external requirements through the process and not duplicate work while also taking those things staff feel are necessary and make them priorities.

Coping with Temporary Structures

Mr. Siegwarth reported that the agency really had four different accounting structures last year. Those who are not accountants cannot imagine what a problem this was. It was a challenge turning it into an advantage and setting up structures that are easier to change, more flexible, easier to manage. This is what strategic issues are all about.

Ensuring Programs with Reduced Funding Still Address Priority Issues

Mr. Siegwarth reported that it is easy to just cut budgets and stop doing things. It is very difficult to reprioritize programs in the best possible way to still accomplish the agency's mission.

Improving Customer Service and Maximizing Electronic Technology Capabilities

Mr. Siegwarth noted that it was striking in reading the Visitors Survey that the desire for information over that Internet went from nil to high. It turned out the agency was actually doing everything that needed to be done.

Conserving and Enhancing Arizona's Heritage

Mr. Siegwarth noted people are not making new 100-year-old buildings. If we don't conserve and enhance what we have it will be lost forever. That should be a strategic issue. In Arizona's environment, things are getting lost forever. This is a big chunk of the agency's mission. It goes not only to the historic buildings, but to natural areas and many of the agency's other programs as well.

Mr. Siegwarth stated that he felt staff did a very good job in developing these strategic issues. They are things the agency needs to be thinking about. He also believes staff will address them through the budget, Project 11, and the Capital Improvement Program.

Mr. Siegwarth stated he believes that there are six Goals. While they haven't changed very much, some have been defined a bit differently.

Ms. Stewart stated that, in reviewing this document, she felt there may be things included in individual plans that are not captured. She really believes that if ASP is the leader in conservation and enhancement of the state's natural, cultural, and recreational resources there a couple of things that should be included in the plan. She believes there should be something there about designing and building projects to blend in with the environment and to have the least negative impact on the environment. As she visits the parks, she sees some areas where staff have done a good job and in other areas, for the same amount of money, staff could have been more sensitive to those things. She visits other states, too. If ASP is going to hold itself out as the leader, this should be a goal. If it were a goal, everyone would know that is something they should take into consideration. Obviously, it can't be done in every project. However, if it's something that is consciously considered before design or building or disturbing or tearing down something it would enhance the agency's credibility in terms of the statement that we are the leaders.

Mr. Travous requested an example.

Ms. Stewart responded that, from seeing photographs of the cabins at Lyman, a better job could have been done to blend them into the environment. A better job could have been done with the areas surrounding the cabins more so than the cabins themselves. At some of the campgrounds staff may not have been as sensitive to working in between the vegetation and keeping things looking as natural as possible. She believes the campground at Lost Dutchman State Park was very well done. Many of the campsites are not noticeable because they were contoured with the terrain and staff worked in between the vegetation. Things there are not bladed. However, some of the campgrounds are not much different from a KOA. If we really want to establish ourselves as leaders in this area, staff should take that into consideration more than has been done in some instances.

Mr. Siegwarth responded that he didn't believe the landscaping is in yet at Lyman. So far as the Strategic Plan is concerned, he doesn't know that that is necessarily a Goal but rather a Value.

Ms. Stewart stated she felt it was more than a Value. She believes it needs to be an Objective at the very least.

Mr. Ziemann suggested that it might possibly fall as an Objective under Goal 1.

Ms. Stewart responded that, for instance, tracking the number of people just tells what has been accomplished. Tracking is not, to her, the objective. It seems that the agency should be doing some positive things to ensure that these things happen. If this is a natural resource agency, there should be some more direct statements about doing that. She added that energy conservation is becoming a big thing. While there may be things included in the Natural Resources Section's plan that speak to that, she believes these are important enough issues to be included.

Mr. Ream explained tracking people is there because there are a lot of measurable events. Counting people is measurable year-to-year. He suggested integrating buildings could be tracked as a percentage of the money that goes out to design that must be used as aesthetic blending into the environment.

Ms. Stewart noted that some of the houses on Camelback Mountain sort of jump out in a negative manner while others complement the environment. The agency has done some of that (i.e., KCSP, the wall at Jerome, Homolovi). However, she believes this should be in the Strategic Plan. This is something the agency should be striving for. She would like to see this added to the Strategic Plan.

Mr. Porter referred to staff's earlier comment that they are just not making 100-year-old buildings any more. That is a base problem. He believes we do really have to be aware that one of the major problems in preserving heritage in a state like Arizona is psychologically most people in this state do not believe they have a history. Most have moved here within the last few decades and really don't have a feel for the fact that there is a history. Even worse, those who live here fall prey to the concept that if it's not old it does not have a value to be preserved and constantly allow those intermediate level things that are not yet 100 years old (but will be someday) to disappear. So much is being destroyed on a regular basis in this huge growth the state is experiencing that more and more the only place to find these things is in the older areas of the state that haven't developed the big growth. We need to be more sensitive and watch for things that are about to be demolished at points around the state that do have important history, perhaps as recently as during the 1950s and 1960s that are about to disappear. Forty years from now we will wish they were still there because it will be realized that they were an important part of Arizona's heritage.

Chairman Pfister stated that it sounded like the Board members were giving two different objectives.

Mr. Porter responded that he is not saying anything needs to be changed. He is saying there is a need to be sensitive on that part of it. There is a need to be more savvy or broader based in the view of what the cultural history of the State of Arizona is that needs to be preserved.

Mr. Siegwarth suggested Objective 5 could be blending in capital improvements to leave only footprints. The exact wording needs to be worked on.

Ms. Stewart agreed and stated that it is a conservation thing.

Mr. Siegwarth stated that staff will develop performance measures to ensure that occurs. So far as reducing energy conservation, it is addressed under Project 11 and the Governor's Efficiency Plan. Staff must prepare a report to the Governor on how that will be accomplished. He doesn't know that placing it in the Strategic Plan will elevate it any more.

One of the issues staff have is that how much is spent on utilities can't really be tracked. The rate are going to rise at some of the parks by 22%. A couple hundred campsites were just electrified, so the usage at those parks will rise. He is concerned it will be very difficult to try to come up with something quantifiable to fit into the Governor's format that won't be misleading.

Ms. Stewart suggested setting goals that by a certain date the usage will be reduced and that energy audits will have been conducted at every state park. This is really important. Staff have indicated it is important. She thinks that if time is to be spent going over this Strategic Plan and voting on it, the important issues should be included.

Mr. Travous noted that he used to be a comprehensive long-range planner. Then they went from comprehensive long-range planning to comprehensive planning and finally to strategic planning. They are three different animals. The problem with strategic planning is that it focuses on measurable objectives that are at one's feet that can be accomplished over the next couple of years. He has heard two things already today that really fall under a visioning plan rather than a strategic plan. Population representation was one. The other was whether we are stepping back and being sensitive to our overall campground design. He would add a third – the number of people coming into Arizona regardless of their ethnicity. Rather than having a long-range goal, it would be better to just make sure things are done right. He suggested that the staff and Board need to sit down and discuss what is happening in Arizona and try to plot out a 5-10 future. There will be a large Hispanic population who do not appear to be coming to our parks. We need to prepare for the numbers of people coming. Water quality in the lakes might be an issue.

Mr. Travous added that a strategic plan only takes the agency down the road one or two years. He believes the Board has a long-range impact.

Ms. Stewart responded that she agrees in part and disagrees in part. She fully agrees that the issue of the population and people coming to the parks is more of a visioning issue. However, if the agency is already building these things and these things are going, that is not a visioning issue. The mission is already in place. She believes these are things to do in the next couple of years. They are part of upcoming projects. She believes there needs to be something in the Strategic Plan about the design.

Mr. Travous suggested that is something that is done when consultants are brought in for design on a park.

Mr. Ream responded that it is done as a matter of course or plan.

Mr. Ziemann added those things can always be done.

Mr. Porter stated he agrees 100% with Mr. Travous' statement; however, he is not parting company with Ms. Stewart's comments either. He believes her concerns primarily deal with the design issue. He views that as a policy matter. He believes that can be dealt with by the Board crafting a policy statement that all construction will be subjected to a review by staff for compatibility with its terrain and surroundings, and construction will be in accordance with the most conservationist principles. These are things that are probably already being done. There could be a policy that everything ASP constructs will have a review for those purposes at some point during the process. If it's not already a policy it probably should be. Staff may want to consider drafting language for the Board to review.

Mr. Porter added that he really likes Mr. Travous' idea of a pause to take a look at where the agency is going. He believes the Board will be facing a lot of issues it is not really concentrating on because of these budget headaches and issues. Perhaps it is time, especially with all the new Board members that have come.

Ms. Stewart noted that times have changed since the Board began heading in a certain direction. It may be time to step back to see where we are going or where we may end up.

Chairman Pfister asked if the Board could develop a policy statement rather than placing it in the Strategic Plan.

Ms. Stewart responded that would be acceptable so long as something was done in writing and done fairly soon.

Mr. Travous stated he believed such a Board policy does exist. He is sure there is a Board policy on how much of natural areas could be developed. He believes there is a Board policy on using natural materials as much as possible and a policy on historic parks that says there will be no impinging upon the historic character.

Chairman Pfister suggested that staff go back and assess what Board policies already are in place.

Mr. Travous responded that he is sure these policies were part of the 6/2000 Plan. He will investigate.

Ms. Stewart suggested that, with the turnover in staff, it would be a good idea to re-communicate some of these things and set up procedures to ensure they are followed.

Mr. Porter added that he did not want to lose track of the idea of having a long-range planning meeting.

Chairman Pfister suggested that during the fall a meeting can be scheduled where the Board members would come together in a "retreat" like fashion to discuss some of those longer-term issues.

Mr. Hays stated he has been very impressed during his term on the Board with what ASP has done aesthetically in all of the parks. He would like to know where they are bad and where there is failure to blend in.

Ms. Stewart responded that she would not characterize them as bad. She goes to a lot of parks in other states and there are instances where they have done noticeably better in some areas. She believes that if it's at a more conscious level, and if there is a review for that purpose, then the agency will do a better job. The agency has done some dynamite things.

Mr. Hays stated it would be helpful to know what doesn't measure up.

Mr. Ream responded he could name a couple of places very quickly. The parking lots at Lake Havasu would be an example. The town has some bad planning practices and the park has fallen into bad planning with them. Places for visitors to park were needed, so lakefront was blacktopped. Another would be the four-wire T-post fencing at Tubac. It is there to keep people in – not keep cattle out. These are places where necessity outran the budget. Staff are working to fix these problems.

Chairman Pfister suggested staff "dust off" the policies and bring them to a future Board meeting for review with a staff recommendation as to whether the Board needs to take

action to strengthen them or if staff need to ensure the policies are well-communicated. A separate, long-term planning meeting will be scheduled.

Mr. Siegwarth returned to discussion of the Strategic Plan.

Ms. Stewart noted that if there is not a policy relating to historic structures there should be one so that there would be the same type of review with people from within the agency involved.

Mr. Siegwarth stated that he would make the appropriate changes to the Strategic Plan and add in the energy conservation plan.

8. FY 2004 SHPO Workplan Task List

Mr. Garrison reported that in the ASP statute there is a paragraph that says the State Parks Board shall employ a State Historic Preservation Officer (SHPO). That is his position, designated by the Governor to run a federal-state partnership program dealing with historic preservation. SHPO is found in 55 states (the US and one in the District of Columbia and four in the territories). The program is a National Parks Service-funded state-related program.

Mr. Garrison discussed why this Task List shows up in this document. He noted that about eight years ago SHPO had an audit. Every year a task list is submitted to the National Park Service (NPS) in relationship to the funding of the annual grant from the NPS. That funding comes from a federal budget that goes into effect October 1. Staff are notified sometime between November 1 and mid-December of exactly how much money will be received from the federal government for their annual grant. When it hits their office staff submit their annual grant program, which must include this Task List. During the program audit staff must answer the question of whether the Task List had public input. Most of the work done in SHPO entails review of federal projects for their impact on historic properties. All of those programs require public input. This is a federally-funded program and must have public input as to the public benefit of the program. SHPO was coming up with their Task List in December; and although they had a state historic preservation plan and policy, there was no annual review of the Task List. One of the functions of having this Task List discussed in tomorrow's public meeting is to provide anyone who wants to give public input on the Task List the opportunity to do so. There are 111 tasks on this list.

Mr. Garrison added that he believes that programs should drive funding rather than funding driving programs. He requested that their Task List be included in the Board's budget session so the Board knows what SHPO is doing rather than bringing it before the Board in the beginning of October.

Mr. Garrison reported that in February the SHPO staff was on a retreat. They reviewed the State Historic Preservation Plan. The last time a presentation was made to the Parks Board was in 2000 to approve the statewide State Historic Preservation Plan, their long-range document. They take the state's goals and immediately put them into their annual Work Program. Pieces of it also show up in the PASE (performance evaluation) for each staff member in SHPO. Approximately 10% of this list is carry-over and about 10% are projects not accomplished in that year and some are carry-over that are cyclical year-to-year.

Mr. Garrison stated an important reason for this list is to remind the Board of just what SHPO is about and demonstrate the tasks SHPO has accomplished. He referred to the statistical analysis on page F-30 of the budget document.

Program Administration

Mr. Garrison reported that there are many basic or reactive tasks that SHPO performs. SHPO has 12 people on staff, and Program Administration takes 5% of the staff's collective time (50% of any one person's time). He has been attending Executive Staff meetings, which has been very helpful to him to understand where the agency is.

Compliance

Mr. Garrison reported Compliance is 42% of what SHPO does and includes review of all state and federal undertakings that disturb the ground or may have an impact on buildings more than 50 years old. This totals 3,000 projects per year, or 10 projects per day that must be turned around in 30 days. This is a horrendous load, primarily related to archaeology (25% deal with historic buildings and 75% deal with archaeology).

Survey and inventory

Mr. Garrison reported that this includes going out to look for historic properties. Over the years there has been a lot of interface with individual communities. SHPO is now very dependent on these communities to carry on survey work.

Chairman Pfister asked if the fact that cities are getting more up to speed on this is a little less work for SHPO.

Mr. Garrison responded that SHPO strives to do two things. Up until three years ago their federal budget was flat. Within the ASP system SHPO has not received a new state system since 1982. Since he became SHPO, 1 million people have moved to Arizona and that has impacted archaeology. The tribes have been empowered. There are 21 tribes, and their wishes in historic preservation have greatly increased SHPO's interaction with the tribes that can take over its programs. Three tribes in Zuni who have property in Arizona have taken over SHPO programs. The two things SHPO strives to do are decentralization and computerization. With static staffing, those are the two things that have kept their chins above water. They are very active in decentralizing programs. Many communities now say they have a sitting historic preservation officer. When he came on board, only Tucson and Phoenix could make that statement. The number of Certified Local Governments (CLG) has increased from 12 to more than 25, with Peoria possibly becoming a CLG. Sedona and Scottsdale are CLGs with local preservation programs. When that type of community understands they need to work on the local level, it is a great benefit and help to SHPO in monitoring those properties.

National/State Registers

Mr. Garrison reported that this is the nomination process. It is not something SHPO has to do. There is a State Review Committee that is actually a subcommittee to the Arizona Historical Advisory Commission. There is a demand to have properties processed for inclusion in the National Register. In a lot of cases it triggers tax advantages (property taxes can be lowered) for historic districts. There are approximate 9,500 eligible properties and 4,000 people in the program. There is no advertising for this program. It is a program that needs attention. It is customer service to people who want to see nominations processed. Staff work on ways to make it easier for them to nominate by allowing them to make multiple property overarching conceptual. An example of this type was for ranching. It will be easier for a person to nominate a ranch house because the concept of ranching across the state has already been studied in the SHPO office.

Planning

Mr. Garrison reported that SHPO staff now spend the least amount of their time on pure planning because they are in the middle of the cycle of the statewide preservation plan. Three years from now SHPO will commit all of staff's time to plan for one year. Because some funding had been lost, they did not have a planner. Three other staff did the state plan. For the next plan, SHPO will have to commit their entire resources to get it done. This is the state plan for any agency or CLG to review and attach what they are doing to a statewide plan. It is on the Website.

Certified Local Governments

Mr. Garrison noted that SHPO has a grant person who deals with the federal grant. There is also a requirement to pass through 10% of their federal money to the CLGs. At certain of the federal funding levels the majority of their money is passed through to the CLGs (more than 10%). There are grants that go to CLGs. The amount available is about \$80,000 and they are allowed to take up to \$10,000. They fund as many for which they have funding. They have interface with the Heritage Fund grants that they monitor and review plans.

Mr. Garrison explained that CLG is the program of certifying that communities have a local preservation program and then assisting them in monitoring that program. It takes 5% of staff's time; grants take 6% of staff's time.

Tax Incentives

Mr. Garrison reported they have in-state tax incentives for two property classifications of historic property: one for the owner-occupied residential and one for the commercial properties. There are different requirements and they must be reviewed and certified before the assessors put them in their classifications. They also review the federal tax credit, which is a 20% income tax credit.

Public Education and Technical Assistance

Mr. Garrison reported that this is an area where staffing has increased from 1.6 to 2.1. One position is the Site Steward who is dedicated to public education with resource management. Essentially this staff person educates the public (site stewards) about the ethic used on archaeological sites. There were 750 site stewards. However, there are more than 1,500 past site stewards who aren't in the program. Those people educate their neighbors about not disturbing archaeological sites. Public Education is an area of streamlining and Technical Assistance deals with decentralizing the program and training.

Mr. Garrison noted that these tasks are updated annually because it is a carryover of 3-6 months of the federal grant. They are established in February, brought to the Board in July, given to the federal government toward the end of the year, and then carries through the next year.

Ms. Stewart noted she attended some of the SHPO functions this past year and was very impressed with how much educational value was provided with such a small amount of funds.

Mr. Garrison responded that everyone in SHPO realizes they are underpaid and overworked, but they have a great dedication and feel that their work has a payoff. At the federal level, the NPS has an unusual auditing system. One of the programs audited was the Historic Preservation Fund, of which the NPS had administrative responsibility. The

Historic Preservation Fund comes to all the states. Currently the states receive \$34 million. Two years ago they received \$49 million; last year they received \$39 million, and this year it was \$36 million. This is a problem – that number is decreasing. At the same time, it is all absorbed in the SHPO and does not end up as bricks and mortar. Some people believe this is just an administrative bureaucratic nightmare sucking in the money. That is not true. When \$500,000 is spent on saving America's natural historic landmarks, then some "bricks and mortar" has been done. If archaeology is added, more than 1,000 properties are added to the state inventory. All of those properties are then taken into consideration by federal agencies in their planning. Filling out an inventory form is an act of preservation. The Office of Budget Management has bought the argument that each piece SHPO is doing actually saves properties, even though it is not tangibly done to the property. The program really sets up the framework. Things placed on an inventory, even if not nominated for 10 years or if it does not receive a grant for 20 years, wouldn't be around to receive a grant had they not been placed on the inventory in the first place.

Mr. Porter noted that the seeds SHPO sows sometimes grow extremely well. Some years ago SHPO educated the Kingman governing structure and did a very broad-based, almost exhaustive audit. It did some remarkable things. It changed the thinking of virtually the entire community. The business community became aware that there was a potential asset there and the need to preserve it. It changed the overall attitude of government. He doubts that there is a community in the state that is more unified and attuned. The city is constantly going out and finding areas where there is a need for preservation, grabbing it up, and in some cases even spending government funds to purchase it. They'll strike a bargain with the Mohave County Historical Society to manage it, pay them to operate a staff, to set up a small museum, or whatever else is needed to make it function. There is a distinct footprint developing throughout that town of that partnership growing in the community college, the schools, and the business community. It all started with SHPO's efforts. He doesn't believe any of it would have occurred without those efforts.

D. ADJOURNMENT

There being no further business to conduct, Ms. Stewart made a motion to adjourn. Mr. Porter seconded the motion. The motion carried unanimously. The meeting adjourned at 5:20 p.m.

Pursuant to Title II of the Americans with Disabilities Act (ADA), Arizona State Parks does not discriminate on the basis of a disability regarding admission to public meetings. Persons with a disability may request a reasonable accommodation, such as a sign language interpreter, by contacting the ADA Coordinator, Nicole Armstrong-Best, (602) 542-7152; or TTY (602) 542-4174. Requests should be made as early as possible to allow time to arrange the accommodation.

Kenneth E. Travous, Executive Director

APPROVED

Suzanne Pfister, Chairman